

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:

June 21, 2004

CALL TO PODIUM:

Tony Tomasello
Assistant City Manager

RESPONSIBLE STAFF:

Harold Belton, Director of
Finance and Administration

AGENDA ITEM:

(please check one)

<input checked="" type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
<input type="checkbox"/>	Appointment
<input checked="" type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Historic District
<input type="checkbox"/>	Consent Item
<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Policy Discussion
<input type="checkbox"/>	Work Session Discussion Item
<input type="checkbox"/>	Other:

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item
is a public hearing)

Introduced	
Advertised	6/04/04
Hearing Date	6/21/04
Record Held Open	6/30/04
Policy Discussion	

TITLE:

Public Hearing to Authorize The Issuance And Sale Of
Economic Development Revenue Bonds Of The City Of
Gaithersburg.

SUPPORTING BACKGROUND:

On June 7, 2004, Asbury Methodist Village, Inc. ("Asbury") formally requested that the City of Gaithersburg, in accordance with the Maryland Economic Development Revenue Bond Act, Md. Ann. Code (1957), Art. 41, Sections 14-101 through 14-109, issue and sell bonds as its limited obligations and not upon its full faith and credit or pledge of its taxing power, and to loan the proceeds of the sale of such bonds to Asbury. The transaction would involve conduit debt only. The City of Gaithersburg incurs no liability as a result of the transaction, and Asbury fully indemnifies the City for the life of the bonds.

Asbury initially sought a bond issue in 1990. The present bond issue is sought in order to borrow additional money to finance or refinance certain improvements, including the renovation of the existing assisted living apartments, construction of a parking garage, construction of the Rosborough Center, and construction of the Loop Road Extension from 211 Russell Avenue to 201 Russell Avenue.

Closing on the bonds is expected to take place in mid-July.

Counsel from McGuire Woods who drafted the documents and a representative from Asbury Methodist Village, Inc. are available to answer questions from the Mayor and Council.

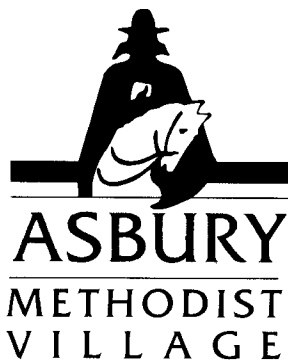
Attached:

Exhibit 1: Letter of Request

Exhibit 2: Advertisement

DESIRED OUTCOME:

Hear presentation, public hearing, vote to close record as of
June 30, 2004.



JUN - 8 2004



201 Russell Avenue
Gaithersburg, Maryland
20877

June 7, 2004

(301) 330-3000
(800) 327-2879
TTY (800) 735-2258
Fax (301) 216-5747
www.asbury.org

Mr. David B. Humpton
City Manager
City of Gaithersburg, Maryland
31 South Summit Avenue
Gaithersburg, Maryland 20877

Asbury Apartments
and Villas
401 Russell Avenue
(301) 216-4038
Fax (301) 216-5750

Re: Proposed City of Gaithersburg, Maryland Economic Development
Revenue Bonds (Asbury Methodist Village, Inc. Facilities), Series
2004

Dear Mr. Humpton:

Phyllis H. Kindley
Assisted Living
333 Russell Avenue
(301) 216-4003
Fax (301) 987-6319

Wilson Health
Care Center
301 Russell Avenue
(301) 216-4227
Fax (301) 216-5752

James F. Rosborough, Jr.
Cultural Arts and
Wellness Center
409 Russell Avenue
(301) 987-6002
Fax (301) 987-6263

Asbury Methodist Village, Inc., a Maryland not-for-profit, nonstock corporation (the "Borrower") respectfully requests that the City of Gaithersburg, Maryland (the "City") authorize, issue and sell its economic development revenue bonds in one or more series in an aggregate principal amount not to exceed Fifty Million Dollars (\$50,000,000) (the "Bonds") for the purpose of financing and refinancing the cost of certain facilities described below pursuant to and in accordance with the Maryland Economic Development Revenue Bond Act, Sections 14-101 to 14-109 inclusive, of Article 41 of the Annotated Code of Maryland (the "Act"). It is intended that this letter, if accepted by the City, shall constitute a "letter of intent" as contemplated by Section 14-101(h) of the Act. The Borrower proposes that the City lend the proceeds of the Bonds to the Borrower pursuant to the terms and provisions of a loan agreement to be entered into by and between the City and the Borrower (the "Loan Agreement") for the purpose of financing and refinancing the acquisition (as defined in the Act) of the facilities, each of which is a "facility" within the meaning of the Act (collectively, the "Facility"), consisting generally of the following:

- (1) the completion of the Loop Road Extension from 211 Russell Avenue around to 201 Russell Avenue on the Borrower's existing senior living campus located in the City;



- (2) the renovation of an existing six-story apartment building (known as 211 Russell Avenue) into approximately 65 units on the Borrower's existing senior living campus located in the City;
- (3) the construction of an approximately 45,000 square foot parking garage adjacent to 211 Russell Avenue with approximately 67 covered parking spaces;
- (4) the construction of the James F. Rosborough Jr. Cultural Arts and Wellness Center located at 409 Russell Avenue on the Borrower's existing senior living campus located in the City;
- (5) the acquisition of furnishings, fixtures and equipment and landscaping, roads or other rights of access, utilities and other facilities as may be necessary or suitable for the foregoing;
- (6) capitalized interest on the Bonds;
- (7) other capital costs of the Borrower; and
- (8) costs of issuance of the Bonds.

The Borrower owns and operates a continuing care retirement community ("CCRC") for senior citizens and the Facility will be used in connection with the operation of the CCRC. The Borrower has been determined by the Internal Revenue Service to be an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Bonds shall be repayable by the City solely from the revenues derived from payments made to the City pursuant to the terms and provisions of the Loan Agreement, as amended from time to time, and from such other monies as may be made available by the Borrower to the City for such purpose. All costs of acquiring the Facility in excess of such loan proceeds will be paid by the Borrower.

The Loan Agreement, as amended from time to time, will require that: (1) the proceeds of the Bonds be used solely to finance the costs (to the fullest extent

permitted by the Act) of the acquisition, construction, and renovation of the Facility, (2) the Borrower make payments which will be sufficient to enable the City to pay the principal of, premium, if any, and interest on the Bonds, and all expenses incurred by the City and fees due to the City in connection with the issuance of the Bonds and the making and administration of the loan, as the same become due and payable.

The Borrower hereby acknowledges that the City reserves the right, in its sole and absolute discretion, to take any actions which the City may deem necessary in order to ensure that the City (a) complies with all federal and state laws, whether proposed or enacted, which may restrict the issuance of its economic development revenue bonds, and (b) issues such bonds to finance facilities which the City determines, in its sole and absolute discretion, will provide the greatest benefit to the City. Specifically, the City reserves the right to choose to issue its economic development revenue bonds for facilities other than the Facility, and to issue or not to issue such bonds and the Bonds in the order of priority which the City Manager, in his sole and absolute discretion, may determine.

It is expressly agreed and understood that (a) the City will not incur any liability, direct or indirect, or any cost, direct or indirect, in connection with the issuance and sale of the Bonds, the making of the loan or the financing of the acquisition, construction, or renovation of the Facility, (b) the Facility will be acquired, constructed and renovated so as to conform to the requirements of the Borrower, and (c) the Borrower shall (i) select and work with the suppliers and contractors who will provide, construct and equip the Facility and negotiate and approve all contracts, construction plans, specifications, and all financing and refinancing arrangements in connection with the acquisition, construction, and renovation of the Facility, and (ii) pay all costs incurred by or on behalf of the City in connection with the proposed financing, including the administration thereof, and in connection with the acquisition, construction, and renovation of the Facility, including without limitation, all costs incurred in connection with the development of the appropriate legal documents necessary to effectuate the proposed financing, refinancing and acquisition of the Facility, including (without limitation) the fees of bond counsel, all costs incurred in connection with publication of notices of any public hearings to be held in connection therewith, and compensation to any other person (other than full-time employees of the City) performing services by or on behalf of the City in connection with the transactions

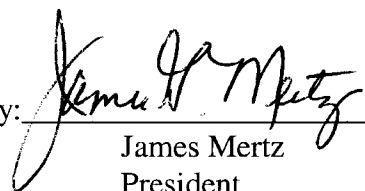
contemplated by this Letter of Intent, whether or not the proposed financing, refinancing and acquisition is consummated.

It is further understood and agreed by the undersigned that the proposal contained herein is subject to (a) the approval and appropriate action by the Mayor and City Council of the City of Gaithersburg, Maryland, and the City Manager of the City of Gaithersburg, Maryland, and (b) the approval of the detailed provisions of all documents pertaining to the financing as yet to be developed. The acceptance of this Letter of Intent by the City shall evidence the present intent by the City to authorize, sell, issue and deliver the Bonds and to authorize the loan for the purposes described herein, provided, however, the City cannot guaranty or assure the undersigned that the Bonds will actually be sold on terms acceptable to the Borrower or any other interested parties, that the Borrower will obtain purchasers of the Bonds qualified to purchase the Bonds under applicable federal and state securities law, that the Borrower will have the ability to make payments sufficient to enable the City to repay the Bonds, that the Facility will be feasible, economically or otherwise, that the Facility will be in compliance with applicable local, State or federal laws, or that the proposed transaction will be consummated.

The Borrower understands that the Bonds are and shall remain payable solely and only from revenues derived from payments to the City by the Borrower and that neither the Bonds nor any interest or premium thereon shall ever constitute an indebtedness or a charge against the general credit or taxing power of the City, within the meaning of any constitutional or charter provision or statutory limitation, and neither shall ever constitute or give rise to any pecuniary liability of the County. Nothing contained in this Letter of Intent shall be deemed to constitute an undertaking by the City to expend any of its funds to effect any or all of the transactions contemplated by this Letter of Intent.

Very truly yours,

ASBURY METHODIST VILLAGE, INC.

By: 
James Mertz
President

ACCEPTED:

CITY OF GAITHERSBURG, MARYLAND

By: _____
David B. Humpton
City Manager

Date: _____

Cc: Cheryl O'Donnell Guth, Esquire

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The Business Gazette

The

EXHIBIT

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PERCUT-Bayonne, N. J.

CITY OF GAITHERSBURG, MARYLAND NOTICE OF PUBLIC HEARING REGARDING PROPOSED ISSUANCE OF ECONOMIC DEVELOPMENT REVENUE BONDS (ASBURY METHODIST VILLAGE, INC. FACILITIES)

The Mayor and City Council of the City of Gaithersburg will hold a public hearing on:

**Monday, June 21, 2004
at 7:30 p.m.**

or as soon as possible thereafter as it may be heard at the Council Chambers of City Hall, 31 South Summit Avenue, Gaithersburg, Maryland on a Resolution to Authorize the Issuance and Sale of Economic Development Revenue Bonds of the City of Gaithersburg as follows:

Facilities and Location:

Asbury Methodist Village, Inc., a Maryland non-for-profit corporation (the "Corporation") owns and operates independent and assisted living and health care facilities for senior citizens located on Russell Avenue in the City of Gaithersburg. Financing or refinancing is to be provided for (i) the completion of the Loop Road Extension from 211 Russell Avenue around to 201 Russell Avenue on the Corporation's existing senior living campus located in the City; (ii) the renovation of an existing six story apartment building (known as 211 Russell Avenue) into approximately 65 units on the Corporation's existing senior living campus located in the City; (iii) the construction of an approximately 45,000 square foot parking garage adjacent to 211 Russell Avenue with approximately 67 covered parking spaces; (iv) the construction of the James F. Rosborough Jr. Cultural Arts and Wellness Center located at 409 Russell Avenue on the Corporation's existing senior living campus located in the City; (v) the acquisition of furnishings, fixtures and equipment and landscaping, roads or other rights of access, utilities and other facilities as may be necessary or suitable for the foregoing; (vi) capitalized interest on the Bonds; (vii) other capital costs of the Corporation; and (viii) costs of issuance of the Bonds (collectively, the "Facilities").

Bonds and Use of Proceeds:

One or more series of economic development revenue bonds of the City of Gaithersburg in the maximum principal amount of \$50,000,000, the proceeds of which will be used to provide financing or refinancing for the Facilities. The payment of the Bonds will be secured by revenues of the Corporation and will not constitute a pledge of the faith and credit or taxing power of the City.

Initial Owner and Principal User:

The Facilities will be owned by the Corporation, a Maryland not-for-profit corporation and a 501(c)(3) organization within the meaning of Section 150(a)(4) of the Internal Revenue Code of 1986, as amended, having an address of 201 Russell Avenue, Gaithersburg, Maryland 20877, for tax-exempt purposes in its activities as an owner and operator of a continuing care retirement community for senior citizens.

A reasonable opportunity will be provided for interested individuals to express their views, both orally and in writing, on the proposed Bonds and the Facilities at this hearing.

Further information may be obtained from the City Manager's Office at City Hall during normal business hours, Monday through Friday, 8:00 a.m. and 5:00 p.m. To testify or submit written comments, call the City Manager's Office at (301) 258-6310.

**David B. Humpton
City Manager**

MC 060446

EXHIBIT 115 (6-4-04) (115)

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